

The Bulletin

October-November
1981

Department of Education

Office of Student Financial Assistance

FISAP Application Deadline Extended

The November 13, 1981 postmark deadline for 1982-83 FISAP Applications (ED Form 646) has been extended. The new postmark deadline is Wednesday, November 18, 1981. Hand carried applications must also be received by us no later than C.O.B. (4:30 p.m.) on November 18, 1981.

Mail or hand carry the original and one copy of the application to:

U.S. Department of Education
Office of Student Financial Assistance
Division of Program Operations
Campus and State Grants Branch
ROB-3, Room 4621
400 Maryland Avenue, S.W.
Washington, D.C. 20202

All institutions participating in FISAP for the first time must have established their eligibility by the November 18, 1981 deadline in order to receive funds.

Campus-Based Programs FISAP Changes

In the 1982-83 application to participate in the campus-based programs (National Direct Student Loan, College Work-Study, and Supplemental Educational Opportunity Grants), Page 15, Line 10, institutions were instructed to enter the "Total of Institutionally Administered Grants and Scholarship Awards Made to Undergraduate Students During the Award Year July 1, 1980 through June 30, 1981." Information on institutional awards is needed because it is an essential element in the calculation of a Fair Share for 1982-83 funding of the SEOG Program. However, many institutions have advised us that the use of 1980-81 data for institutional grants and scholarships would significantly reduce their SEOG Fair Share entitlements. They understood that several years ago, we had set that particular resource element of the funding formula at the 1977-78 level for each subsequent award period.

This is to advise you that in the forthcoming Notice of Proposed Rulemaking which contains 1982-83 funding procedures, we will propose to use 1977-78 data for Institutional Grants and Scholarships, and not the 1980-81 data provided in the recently submitted applications. However, institutions should not send any correction to their applications because we already have 1977-78 data from last year's application. The 1977-78 information will be entered into the data base as a substitute for the 1980-81 entry in the 1982-83 funding system. In January, we will ask new applicants to provide us with a 1977-78 amount, if the institution was in existence in 1977-78. We suggest that those institutions begin now to extract that information from their records.

Cost of Attendance Campus-Based Programs

In determining the cost of attendance, the Education Amendments of 1980 provide for an allowance of not less than \$1,100 for room and board for those students without dependents who reside at home with their parents. However, in an effort to provide a reasonable room and board allowance for such students, as well as maintain some control over program costs, the cost of attendance implementing regulations published on January 21, 1981, set this allowance at the \$1,100 figure in the statute.

In determining the cost of attendance for the campus-based (NDSL, CW-S and SEOG) programs, the institution *must* use the \$1,100 room and board allowance for *all* students without dependents who live with their parents. In accordance with the statute, the regulations allow the institution to adjust, on an individual basis, a student's campus-based cost of attendance if it does not reflect a reasonable approximation of the student's actual costs. The institution may take into account the *individual circumstances* of a student and adjust the \$1,100 allowance accordingly for the *campus-based programs only*. Since the adjustment must be on an individual basis, the institution must have documentation of the reason for the adjustment in the file of each student whose cost is to be adjusted.

2

Changes Made In GSL Program

In September, a bulletin was sent to all lenders and schools participating in the Guaranteed Student Loan (GSL) Program. The bulletin explained the major changes made in the GSL Program as a result of the Omnibus Budget Reconciliation Act of 1981. In addition, a package of materials relating to the GSL needs test requirements was prepared by NASFAA and ED and mailed to all schools in October.

Effective October 1, 1981, under the new analysis system in the GSL Program, if the adjusted gross income (AGI) of the student's family is \$30,000 or less, an otherwise eligible student qualifies for a federally subsidized loan.

If, however, the AGI of the student's family is greater than \$30,000, an otherwise eligible student qualifies for a federally subsidized loan if the school determines, after taking into account the expected financial contribution of the student's family and the other financial assistance reasonably available, that the student needs a loan to meet his or her educational costs.

The school must determine the amount of the expected family contribution (EFC) and the estimated financial assistance available to the student for all students applying for a GSL in accordance with the following:

a. Determine whether the student is an independent or dependent student under the definitions of those terms contained in the Pell Grant regulations (34 CFR 690.42) or the campus-based regulations (34 CFR 674.2, 675.2 and 676.2). The Department of Education (ED) expects that these definitions will be included in the Family Contribution Schedule and in forthcoming GSL regulations.

b. Determine the AGI for the student's family in accordance with procedures to be established in the Family Contribution Schedule published September 11, 1981. ED intends the determination to be based on data to be provided by the student, the student's spouse, if any, and, in certain circumstances, the student's parents, with respect to income reported on the 1980 Federal income tax returns (Internal Revenue Service Forms 1040 and 1040A). If no tax return was filed, taxable income is to be reported using W-2 forms

or financial records. The school may obtain the information needed for this determination (and for the determination required by paragraph (a)) from the student on the form developed by NASFAA, a school form, or from other information in the school file. The student loan application will not be designed to collect this information.

c. Enter the AGI on the GSL application. Until GSL applications can be revised, the school must write or type "AGI = \$ _____" in a prominent space on the school section of the application. Some guarantee agencies may specify a given location for this information on their forms. Lenders and guarantee agencies will be instructed to return applications which do not include the AGI and which are dated by the school on or after October 1, 1981.

d. If the AGI is greater than \$30,000, compute the EFC. Until GSL applications can be revised, the school must write or type "EFC = \$ _____" in a prominent space on the school section of the application immediately following or below the AGI.

e. Subtract from the student's estimated cost of attendance the student's estimated financial assistance and, where the AGI is greater than \$30,000, the EFC. Until GSL applications are revised, the school is to enter the result in the space now provided for the difference between the estimated cost of attendance and estimated financial assistance. If a student whose family's AGI is greater than \$30,000 has a remaining need of between \$500 and \$1,000, the school should enter the actual amount of the need, and should not enter \$1,000 in such cases. While the \$1,000 loan may create an "overaward" if the student has been awarded campus-based aid, ED expects to revise the campus-based regulations, to provide that no adjustment of the campus-based aid is required in such a case.

The EFC is then added to the other aid and the total is subtracted from the student's estimated cost of attendance to determine the amount of the remaining need. The student is eligible to receive a federally subsidized loan in an amount that does not exceed the amount of his or her remaining need.

Verification of GSL Applicants Income Required in 1981-82

The new need analysis system in the Guaranteed Student Loan (GSL) Program requires only those applicants with an adjusted gross income greater than \$30,000 to prove need by completing the GSL Need Test Form or another form that provides the required data and certifications. The amount of the need will determine the loan amount the student will be eligible to receive if s/he is eligible for the in-school interest subsidy. Applicants with an adjusted gross income of \$30,000 are eligible to receive the full loan amount and the interest subsidy. However, the form may be used to determine the adjusted gross income.

Regulations will soon be published which will require schools to select and verify a certain percentage of all GSL applicants. A school will be required to verify the applicant's family income before it completes the school section of the GSL application. Selected applicants will be required to provide appropriate copies of the 1040 or 1040A Federal Income Tax Form for 1980 in order to verify the adjusted gross income reported. Verification of other data items will be optional.

Students who have already had income data verified before the regulation becomes effective may count toward the school's quota as long as the school has copies of the 1980 Federal Income Tax Form on file which verifies the GSL income information.

Schools will not be required to begin this process until the effective date of the regulations (normally 45 days after publication).

A guide which will provide more information regarding GSL income verification will be published soon and sent to the financial aid community.

Higher Loan Limitations for Independent Students Eliminated

The Education Amendments of 1980 allowed an independent undergraduate student to borrow, under the Guaranteed Student Loan (GSL) Pro-

gram, up to \$3,000 per year, and up to \$15,000 in the aggregate. The Reconciliation Act has repealed this provision. Therefore, for all loans for which the school completes its portion of the application on or after October 1, 1981, independent undergraduate students will no longer be eligible to borrow more than dependent undergraduates. The annual limit for all undergraduates will be \$2,500. The aggregate limit for all undergraduates will be \$12,500.

In addition, the minimum annual repayment on all loans disbursed on or after October 1, 1981, has been increased from \$360 to \$600. For loans on monthly repayment schedules, this will increase the minimum monthly payment from \$30 to \$50. The law continues to provide that, when the borrower and lender agree, the borrower may pay a lesser amount.

Administrative Cost Allowance Provision Eliminated Under GSL Program

The provision in the Education Amendments of 1980 which authorized the Secretary to pay schools a \$10 per year administrative allowance for each Guaranteed Student Loan (GSL) recipient has been deleted from the Amendments. Therefore, schools will not receive an administrative allowance under the GSL Program.

GSLP Special Allowance Rates for Quarter Ending September 30, 1981—12½ Percent and 10½ Percent

The average of the bond equivalent rates of the ninety-one day Treasury bills auctioned during the quarter ending September 30, 1981 is 15.94 percent. Using the statutory formula, this results in a special allowance at the annual rate of 12½ percent for loans with an applicable annual interest rate of 7 percent, and a special allowance rate of 10½ percent for loans with an applicable annual interest rate of 9 percent.

The GSLP special allowance rates for this three-month period are computed by determining the average of the bond equivalent rates of the ninety-one-day Treasury bills for this period (15.94 percent), by subtracting 3.5 percent from this average for 7 percent loans (12.44), or by subtracting 5.5 percent from this average for 9 percent loans (10.44), by rounding the resultants upward to the nearest one-eighth of 1 percent (12½ percent and 10½ percent, respectively), and by dividing the resultant percents by four (3.125 percent and 2.625 percent, respectively).

Thus, the special allowance to be paid for this period will be 3.125 percent for loans with an applicable annual interest rate of 7 percent, and 2.625 percent for loans with an applicable annual interest rate of 9 percent, computed on the average unpaid balance of principal (not including unearned interest added to principal) of all eligible loans held by lenders.

Approved Internship Programs for Purposes of Granting GSL/NDSL Program Deferments

The Education Amendments of 1980 permit borrowers participating in eligible internship programs to defer payments on their Guaranteed Student Loans (GSLs) for up to two years. The GSL Program regulations published on January 16, 1981, state that to qualify for an internship deferment a borrower must hold at least a baccalaureate or professional degree and be serving in an eligible internship program, the successful completion of which is required to begin professional practice or service. The only internship program cited in the January 16 regulations as eligible for purposes of the deferment is the internship that is commonly referred to as a medical residency.

In the preamble to the January 16 regulations, the public was requested to provide the Secretary with information on professions that require internships and would qualify a borrower for a deferment. Based on the comments that have been received, internships in the following professions have been determined to be eligible for purposes of GSL deferments:

1. medicine
2. osteopathic medicine
3. veterinary medicine
4. dentistry
5. optometry
6. public health administration
7. pharmacy
8. podiatry
9. psychology
10. audiology
11. certified public accounting

To receive an internship deferment, a borrower preparing to enter one of the professions listed above must provide the lender with a statement from an official of the internship program stating that the borrower is, in fact, an intern in one of the above mentioned professions and has a baccalaureate or higher degree.

To receive the Secretary's approval of internships in other professions, the borrower must submit evidence to the Secretary that the internship program in which he or she is participating is required in order to begin professional practice or services. The borrower must submit this evidence to the Department of Education, OSFA/DPPD/GSLB, 400 Maryland Avenue, S.W. Washington, D.C. 20202.

This information is also applicable to granting deferments on NDSL loans made on or after October 1, 1981.

New Interest Rate and Eligibility Criteria Established for PLUS Program

The Parent Loan to Undergraduate Students Program (PLUS) has been modified to allow independent undergraduate students and graduate and professional students to obtain loans under the program. Although the provision in the law changed the title of this program to "Auxiliary Loans to Assist Students," we will continue to refer to this program as the "PLUS Program." Final regulations for the PLUS Program will be issued soon.

Interest on all PLUS loans disbursed on or after October 1, 1981, will be 14 percent per year. The new rate will be effective on all new loans even if

the borrower previously received a loan with a 9 percent interest rate.

An independent undergraduate student may borrow up to \$2,500 per year under the PLUS Program less any amounts received under the Guaranteed Student Loan (GSL) Program. The total amount an independent student may borrow under both PLUS and GSL programs may not exceed \$12,500.

Like a parent borrower, a graduate or professional student may borrow up to \$3,000 per year, and up to \$15,000 in the aggregate, under the PLUS Program. In addition, a graduate or professional student may borrow up to \$5,000 per year, and up to \$25,000 in the aggregate, under the GSL Program.

The deferments available to GSL Program borrowers are also available to PLUS borrowers. This will mean, for example, that a full-time graduate student is entitled to receive a deferment of principal payments on a PLUS loan (although interest would need to be paid or forborne). However, a less than full-time student would not qualify for such a deferment.

In no case may a PLUS loan exceed a student's estimated cost of attendance less estimated financial assistance.

Post-Deferment Grace Period Eliminated

The six-month grace period after a deferment period (post-deferment grace period) has been eliminated for all Guaranteed Student Loans, (GSLs) disbursed on or after October 1, 1981. A borrower is still entitled to a grace period before beginning repayment after (s)he ceases to be enrolled at least half-time.

Legal Guardian Defined for Pell Grant Program

Section 482(c)(2) of the Higher Education Act of 1965, as amended specifies that the Secretary of Education shall, by regulation, determine those students who are independent of their parents or

legal guardians. In line with that directive, §690.32 of the 1981-82 Pell Grant Program Family Contribution Schedules, published on January 19, 1981, defines a legal guardian as "an individual who has been appointed by a court to be a legal guardian of a person and who is specifically required by the court to use his or her own financial resources to support that person." The term "parent" in that same section of the regulations then includes legal guardians in its definition. Thus, when §690.42 of those regulations defines an independent student in terms of his or her relationship with his or her parents, those people who fit this definition of a legal guardian are to be considered as parents.

This is true, even though the application for a 1981-82 Pell Grant mistakenly omitted legal guardians in the definition of parents. Thus, when a student inquires as to whether he or she should answer the questions in section B of the application for a Pell Grant with reference to his or her legal guardian, the answer is "yes" if that legal guardian meets our definition.

An individual may be appointed by the court to be a legal guardian only until the student reaches the age of 18. If that is the case, a student who has had a legal guardian, but who no longer has one at the time (s)he fills out an application for a Pell Grant, should not answer the questions in section B of the application with reference to the person who used to be his or her guardian. However, if a student has already filled out an application for a Pell Grant at a time when he or she had a legal guardian, and then his or her legal relationship with that student should file a ^ answering the question reference to the person guardian.

ment of Education (ED) - is in conflict with part of the answer to a related question in the 80-81 Q & A Newsletter #4 dated May 12, 1981. Both question 4-28 (on page 7) and the answer we provided are as follows:

Q. Are institutions notified when an assigned or referred note is no longer in default status? If not, how can the institution know whether or not it may withhold a financial aid transcript?

A. Institutions are not automatically notified when an assigned or referred note is no longer in default. If it is the institution's policy to withhold a financial aid transcript for all students in default, it must consider an assigned or referred note as in default unless otherwise notified. The institution may either contact the Regional Office to determine the status of the note, or require the student to contact the Regional Office if (s)he is in repayment status and wishes a transcript. The Regional Office staff will then inform the institution of the default status of the student.

This answer supersedes the statement in the January 1981 *Bulletin* regarding this matter. An institution may withhold the financial aid transcripts of all students in default, and in those cases where the loan has been assigned to ED, it may continue to withhold the transcript until it is informed by the appropriate ED Regional Office that the defaulted loan has been repaid or that a satisfactory repayment arrangement has been made.

Suggestions Requested for Improving Institution and State Agency Applicant Rosters and Tapes

As development of the 1982-83 processing system proceeds, we would like your suggestions on ways to improve the applicant roster and tape service. Suggestions are invited regarding the frequency and timing of productions, data elements, order of data elements and records, statistical data, provision of rosters on microfiche, batch vs. cumulative productions, and any other comments you may have. It would be very helpful if your comments included a description of how you currently use the Federal rosters and tapes and how

you *might* use the rosters or tapes if suggested changes were made.

Your suggestions are important to us as we develop the rosters and tapes which will be used for administering the Pell Grant and other Federal aid programs. Every effort will be made to consider your suggestions as we make changes for 1982-83, however, time limitations may force us to delay consideration and implementation of some suggestions until 1983-84.

Any comments, criticisms, or suggestions regarding applicant rosters and tapes should be sent to:

Applicant Rosters/Tapes
Department of Education
Basic Grant Branch
400 Maryland Avenue, S.W.
ROB-3, Room 4318
Washington, D.C. 20202

State SSIG Performance Reports Due October 30

State Student Incentive Grant (SSIG) Performance Reports for the 1980-81 program year are due from States by October 30. Report forms were sent to State officials on August 19, together with copies of the SSIG final regulations, which appeared in the July 14 FEDERAL REGISTER. States also received Operation Wrap-up Worksheets for use in confirming or correcting program data related to their 3-year average State grant expenditures, and reporting changes in student eligibility as a result of 1980 Amendments.

Pell Grant Application Processing System

1981-82 Status

The start-up of processing 1981-82 Pell Grant applications was delayed last spring because of changes in the formula resulting from the Administration's revised budget proposal. The backlog of applications resulting from the delay have been processed and most students received their SERs in time for the fall term. (As of September 13, 4,172,567 applications for 1981-82 Pell Grants and 1,248,491 corrections to SERs were processed).

Delay for Some Applicants

Of the 4 million applications processed this summer, approximately 30,000 Federal applications took longer to process because of technical difficulties. The SERs have been mailed, but may not have reached students in time to meet the established deadline for submitting their SERs. Those students whose applications were delayed because of the technical difficulties and who meet certain criteria will be given a waiver allowing them to submit their SERs if they are eligible, but no longer enrolled.

The criteria for a waiver are as follows:

1. Student was enrolled and eligible for the summer term in a school that considers the summer program to be part of the 1981-82 school year.
2. Student is no longer enrolled at all (graduated or dropped out) or is no longer enrolled in the same school; or
3. Student is no longer eligible (less than half-time, not making satisfactory progress, etc.).
4. Student submitted application three weeks prior to end of summer term or by June 22, whichever is earlier.
5. Student submitted corrections two weeks prior to end of summer term or July 1, whichever is earlier.

Students who may meet these criteria should call SDC's Toll-free Inquiry Center and ask for "Team 3". The numbers are: 800-423-6932 (For the Continental U.S. (except calls originating in California); 800-352-8671 (For calls originating in California); 800-423-6872 (For calls originating in Hawaii and Alaska). If it is determined that the student should be paid but was unable to receive payment because of unusual processing delays, the phone staff will get the necessary information from the caller, including the name and telephone number of the school's financial aid administrator, so that the student's enrollment can be verified. Once the information is verified, a letter will be sent to the student and (s)he should submit it to the financial aid office for payment.

We anticipate that from 100 to 500 students will meet the criteria.

Rumors of Lost Applications

We have received many inquiries concerning lost applications over the past few weeks. Many result from the rumor that records submitted to SDC from ACT were lost. This is not true, and we regret that this unfortunate rumor received such

wide publicity. There are many safeguards built into the application processing system to ensure that records are not lost. Back-up copies of data transmitted from MDE agencies, such as ACT, are always available so that if a tape is lost or damaged, the data could easily be recreated.

1982-83 Systems Development

Development of the 1982-83 processing system is now underway. Any ideas or suggestions for improving the system, for example, improvements in comment wording, are welcome. Send those suggestions as soon as possible to:

Pell Grant Program
L'Enfant Plaza
P.O. Box 23715
Washington, D.C. 20024
ATTN: Rita Ryan Johnson

Time to Order 1982-83 Federal Student Aid Application Forms

Order forms for 1982-83 Federal student aid application forms have been mailed to all schools participating in the student financial assistance programs. This year the Federal form's title has been changed from the "Basic Grant Application Form" to "Application for Federal Student Aid (AFSA)." The Department of Education (ED) made this change so that the title would more accurately reflect the full range of the application's functions: the information it collects will be used by the Federal processor to determine eligibility for the Pell (Basic) Grant Program and to determine the student's family contribution, which can be subtracted from his or her cost of attendance to establish need for campus-based programs (Supplemental Educational Opportunity Grants (SEOG), National Direct Student Loans (NDSL), and College Work-Study (CW-S)). The exact role of the Federal form in the Guaranteed Student Loan (GSL) application process has not yet been established. As soon as these issues are resolved you will receive full details in a "Dear Colleague" letter.

Students will not have to complete a 1982-83 Federal form if their school requires them to complete the application of an agency that participates in the "Multiple Data Entry" (MDE)

system. Currently, these MDE forms are—

1. Financial Aid Form (FAF) (College Scholarship Service)
2. Family Financial Statement (FFS) (American College Testing Program)
3. Pennsylvania Higher Education Assistance Agency (PHEAA) Form
4. Student Aid Application for California (SAAC)

In the past a student could, at no cost, apply for a Basic Grant in one of two ways—

1. by completing the Basic Grant Application, or
2. by completing an MDE form, enclosing no fee, and checking a box on the form to indicate that (s)he wanted the MDE agency to transmit his or her data to the Department of Education. The student would then receive a Student Eligibility Report from the Federal processor but would not receive the need analysis services of the MDE agency.

With the exception of Pennsylvania students, who may use the no cost PHEAA form, the only non-cost way for a student to apply for Federal aid in 1982-83 will be to complete the Federal application. Option 2 will not be available if a student completes an MDE form and mails it in without the fee, the student will not receive the services of the MDE agency, *nor will his or her information be transmitted to the Federal processor*. This is an important change from last year's procedure that your students will need to be aware of.

Please use the form which was mailed to you to order Federal applications. Each box will contain 100 application forms, one *Student Guide*, one poster, and one reorder card. The number of boxes of applications you order should be what you expect to use in about the first six months of 1982.

When you receive your applications in January, you will also receive a reorder card to order more applications or other Federal financial aid materials (the Special Condition Application, *The Student Guide: Five Federal Financial Aid Programs, 1982-83* display units, and posters).

Error in Federal Student Financial Aid Handbook

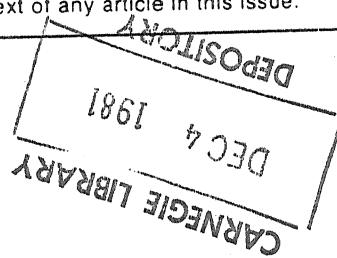
The typescript version of the 1982-83 FSFA Handbook contains an error on page 3-9, Chapter Three. The second paragraph of section G reads, in part: "Before making a commitment or a disbursement of any title IV funds—including GSL checks—to a transfer student . . ." The word "including" should be substituted for "including".

This error has been corrected in the typeset version of the Handbook, which institutions should receive soon.

The Bulletin is published by the Office of the Deputy Assistant Secretary for Student Financial Assistance, U.S. Department of Education, 400 Maryland Avenue, S.W., ROB-3, Room 4682, Washington, D.C. 20202; Patricia A. Dorn, Editor. No permission is necessary to reproduce the text of any article in this issue.

DEPARTMENT OF EDUCATION
OFFICE OF STUDENT FINANCIAL ASSISTANCE
WASHINGTON, D.C. 20202

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300



FIRST CLASS MAIL
POSTAGE & FEES PAID
U.S. DEPARTMENT OF EDUCATION
PERMIT NO. G-17

